

Incentives Program

AUDIT REPORT

Sacramento Metropolitan Air Quality Management District Fiscal Years 2005/2006 – 2008/2009

**Prepared by: Air Resources Board
Mobile Source Control Division, Incentives Oversight Section
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Acknowledgements

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Introduction

The Air Resources Board (ARB) is responsible for overseeing a number of State incentive programs including the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program or CMP), Lower-Emission School Bus Program (School Bus Program), and Proposition 1B Goods Movement Emission Reduction Program (Goods Movement Program). As part of this oversight responsibility, ARB staff audited the Sacramento Metropolitan Air Quality Management District's (Sacramento Metropolitan AQMD or District) implementation of the Carl Moyer and School Bus Programs, including federal Diesel Emissions Reduction Act (DERA)-funded school bus retrofit projects. Due to the timing of the District's receipt of funds, the Goods Movement Program did not fall under the scope of this audit.

The Carl Moyer Program is a voluntary grant program that funds the extra capital cost of cleaner-than-required vehicles and equipment in order to reduce air pollution. The Carl Moyer Program is implemented through a partnership between ARB and California's 35 local air districts. ARB distributes State funds to local districts, develops statewide guidelines, and conducts periodic oversight. Air districts select and fund clean air projects in their areas that meet the requirements of the statewide guidelines. Districts also provide local match funds and resources to administer the program. The Sacramento Metropolitan AQMD administers the Carl Moyer Program for all the districts in the Sacramento Federal Ozone Non-attainment Area, which includes the El Dorado County AQMD, the Placer County Air Pollution Control District (APCD), and the Yolo-Solano AQMD.

The School Bus Program is a voluntary grant program to clean up the aging school bus fleet that serves California's public schools in order to reduce school children's exposure to diesel exhaust. The program provides grants to purchase new school buses that replace older, high-emitting buses and to retrofit existing diesel buses with ARB-verified diesel emission control systems. Like the Carl Moyer Program, ARB develops implementation guidelines and distributes State funds to local air districts, who implement the program. The Sacramento Metropolitan AQMD currently administers the School Bus Program for itself, Butte County AQMD, El Dorado County AQMD, Glenn County APCD, Placer County APCD, and Yolo-Solano AQMD.

This audit of the Sacramento Metropolitan AQMD's implementation of the Carl Moyer and School Bus Programs was conducted in accordance with ARB's audit policies and procedures for such incentive programs, which are viewable at the following ARB website: <http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>. The audit began with an entrance interview held on February 22, 2010, at the District office. Audit findings and recommendations were presented during an exit meeting held with the District on July 21, 2010.

1. Overall Assessment

Although the Sacramento Metropolitan AQMD's Incentive Programs are achieving the intended emission reductions, the audit team has significant and extensive concerns about the District's implementation of those programs. Because these concerns pervade both programs audited, the audit team has combined the findings for the Carl Moyer and School Bus Programs into this report. The audit resulted in two findings:

1) The District's contracts are missing certain requirements or contain incorrect information, and 2) there are insufficient internal controls and balances across the programs. Examples of the latter include administrative practices that are not consistent with ARB Guidelines, missing documentation, inspection inconsistencies, and reporting errors.

The District must respond in writing within 30 calendar days from the date of the cover letter to this Audit Report and provide specific mitigation strategies for the required actions identified and timelines for correcting the deficiencies specified. ARB encourages the District to work with their liaisons to follow up on the required actions. If mitigation of these findings is not completed in a satisfactory manner, ARB may withhold further disbursements of grant funds.

2. Scope of the Audit:

The scope of the audit covered the District's implementation of the Carl Moyer Program over two completed funding years, Year 8 (fiscal year 2005/06) and Year 9 (fiscal year 2006/07), and two in-progress funding years, Year 10 (fiscal year 2007/08) and Year 11 (fiscal year 2008/09). Table 1a lists the project and administration funding amounts (including Carl Moyer Program Multi-District funds) that the District received to implement the CMP and also lists the District's match funding commitment over those funding years.

Table 1a: Sacramento Metropolitan AQMD Carl Moyer Program Funds*						
Program or Fiscal Year	CMP Year	Project	Administration	Total Grant	Matching Funds	Total
CMP						
2005-06	8	\$6,559,105	\$151,831	\$6,710,936	\$1,029,364	\$7,740,300
2006-07	9	\$5,728,920	\$391,198	\$6,120,118	\$882,515	\$7,002,633
2007-08	10	\$5,471,205	\$374,210	\$5,845,415	\$902,070	\$6,747,485
2008-09	11	\$4,789,919	\$331,085	\$5,121,004	\$911,860	\$6,032,864
CMP-Multi-District						
2005-06	8	\$2,475,000	\$0	\$2,475,000	NA	\$2,475,000
2006-07	9	\$2,080,728	\$129,036	\$2,209,764	NA	\$2,209,764
2007-08	10	\$4,420,028	\$223,501	\$4,643,529	NA	\$4,643,529
2008-09	11	\$697,582	\$49,180	\$746,762	NA	\$746,762

*Interest earned by the District is not included in table, NA=not applicable

For the School Bus Program, the scope of the audit covered the grants awarded within the same fiscal year time frame corresponding with CMP Years 8 through 11. This included School Bus Program grants awarded in fiscal year 2005-06 (for retrofits), fiscal year 2007-08 (for retrofits and replacements), and the federal DERA grant awarded in 2009 (for retrofits). Table 1b lists the grant funding the District was awarded for implementing the School Bus Program during the scope of the audit.

Table 1b: Sacramento Metropolitan AQMD School Bus Program Funds*			
Year	Project	Administration	Total Grant
2005-06	\$515,600	\$0	\$515,600
2009 (DERA funds)	\$70,680	\$5,320	\$76,000
2007-08	\$18,295,887	\$898,941	\$19,194,828

*Interest earned by the District is not included in table, DERA=Diesel Emissions Reduction Act

3. Projects Selected for Audit Review and Site Inspection

The process for choosing projects to audit involved selecting a sample that reflects the funding sources used and the diversity of project types funded by the District during the scope of the audit. Thus, the funding sources considered in selecting the audit sample included all grant and match funds listed in Tables 1a and 1b above and the interest earned on those grant funds.

The District also used Assembly Bill 923 funds (from Department of Motor Vehicle fees) to fund some school bus projects during the time span covered by the audit. Such projects were also considered in selecting the audit sample. One such project was selected for evaluation, which was limited to determining project eligibility. The AB 923 evaluation is reported in a separate letter from this audit report per the 2008 Carl Moyer Program Guidelines, Program Administration Chapter, section 22(b)(2). The letter that documents the AB923 evaluation will be posted in a section of the Audit webpage that will be dedicated to AB 923 evaluations.

The Carl Moyer Program project categories that the District funded under the audit scope included on-road, off-road, marine, agricultural, and locomotive sources. In addition, because the District administers Carl Moyer fleet modernization projects for several other districts (i.e., Butte County AQMD, Northern Sierra AQMD, and San Luis Obispo County APCD), audit staff took this into consideration in selecting the audit sample. Table 2a summarizes the Carl Moyer Program source category types and the number of projects funded by the District during the scope of the audit, from which the audit sample was chosen.

Table 2a: Sacramento Metropolitan AQMD Carl Moyer Program Projects*						
Fund Source	Source Category	CMP Year 8 2005-06	CMP Year 9 2006-07	CMP Year 10 2007-08	CMP Year 11 2008-09	Total
CMP	on-road	3	0	0	0	3
	off-road	19	8	7	0	34
	marine	1	3	0	0	4
	agriculture	57	67	26	0	150
	locomotive	0	1	1	0	2
Match	on-road	0	0	0	1	1
	off-road	2	2	6	2	12
	locomotive	0	1	0	0	1
Multi-District	on-road	0	4	2	0	6
	locomotive	1	2	1	0	4
Interest	off-road	2	1	0	0	3
	agriculture	8	15	0	0	23
	total by year	93	104	43	3	243

*Projects for which funding is split between multiple funding sources have been split accordingly and project number has been rounded. As a result, project totals are slightly overestimated.

The School Bus audit sample considered, along with the different sources of funding and different funding years, the two school bus project types – retrofits and replacements – funded by the District over the scope of the audit. Table 2b summarizes the Lower Emission School Bus project types and the number of projects funded by the District during the scope of the audit, from which the audit sample was chosen.

Table 2b: Sacramento Metropolitan AQMD Lower Emission School Bus Projects					
Project Type	2005-06	2006-07*	2007-08	DERA 2009	Total
Replacement	0	0	6	0	6
Retrofit	28	0	0	5	33
Maintenance/ Spare Filters	2	0	0	0	2
total by year	30	0	6	5	41

*No School Bus funds were awarded in 2006-07.

Twenty-nine Carl Moyer Program projects were selected for audit file review; 18 files were reviewed for eligibility and for multiple other program elements as outlined in ARB's Auditing Policies and Procedures, 10 files were more narrowly reviewed for funding practices which was limited to reviewing for District's payment practices, and one fleet modernization project was reviewed for the inspection portion, which the District conducts on behalf of another district. Of those projects, six were inspected in the field by audit staff. For the School Bus Program, six projects were reviewed and, of those, one was field inspected. Tables 3a and 3b below provide information on the projects selected for review, type of review, and whether it was field inspected by the audit team.

Table 3a: Carl Moyer Program Projects Reviewed						
	CMP Year	Project Number	Grantee	Source Category	Review	Inspected
1	8	VET-06-0069	Team Power	off-road	X	
2	8	VET-06-0220-A	Tahoe Sport Fishing	marine	X	
3	8	VET-06-0227	Kiewit Pacific	off-road	X	X
4	8,10	VET-06-0236	Teichert Construction	off-road	X	
5	9	VET-06-0238-A	Operating Engineers	off-road	X	
6	8	VET-07-0229	Hastie's Sand and Gravel	on-road	X	
7	10	VET-08-001	California Northern Railroad Company	locomotive	X	
8	9	VET07-0148	Caltrans-Division. of Rail	locomotive	X	
9	9	VET-08-0028	Caltrans-Division of Rail	locomotive	X	X
10	9	VET-08-0056	Bettendorf Trucking	on-road	X	X
11	8	VET-08-0059	Union Pacific Railroad Company	locomotive	X	
12	8	VET-08-0130	Klein Farms	agricultural pump	X	X
13	9	VET-08-0156	Don Beeman Farms	agricultural pump	X	X
14	9	VET-08-0210	Barrios Farms Inc.	agricultural pump	X	
15	10	VET-09-0072	Utterback Farm	off-road	X	

Table 3a: Carl Moyer Program Projects Reviewed						
	CMP Year	Project Number	Grantee	Source Category	Review	Inspected
16	10	VET-09-0078-A	Atkinson Landleveling	off-road	X	
17	10	SLO CM07/08-2	Margarita Leasing**	on-road	X	
18	11	VET-08-0154	Aaron Beaver	off-road	X	
19	11	VET-08-0215	Aoki Farms Inc.	off-road	X	
20	7	VET-05-0083	Teichert Construction	off-road		X
21	8	VET-06-0086	Wood Brothers Inc	off-road	^	
22	8	VET-06-0126	City of South Lake Tahoe	off-road	^	
23	9	VET-06-0284	David Viguie Farms	agricultural pump	^	
24	9	VET-07-0147-A	Action Water Sports of Tahoe	marine vessel	^	
25	8, 9	VET-07-0164	Dettling Farms	agricultural pump	^	
26	9	VET-08-0032	Nakahara Farms	agricultural pump	^	
27	9	VET-08-0063	Joe Costa Trucking	on-road	^	
28	9	VET-08-0069	CPS Express	on-road	^	
29	10	VET-08-0261	Dixon Ridge Farms	agricultural pump	^	
30	8	VET-06-0058	Klein Farms	agricultural pump	^	

X-Eligibility and program elements review ^-Narrow review on District payment practices.

**San Luis Obispo AQMD Fleet Modernization Project where SMAQMD is only responsible for the inspection of the project.

Table 3b: School Bus Program Projects Reviewed						
	Fiscal Year	Project Number	Grantee	Project Type (replacement,, repower, retrofit, etc.)	Reviewed	Inspected
1	05/06	VET-07-0100	Center Unified School District, Antelope	retrofit	x	
2	05/06	VET-07-0192 and VET-08-0079	Elk Grove Unified School District	retrofit, spare filters	x	
3	05/06	VET-07-057	Robla Elementary School District	retrofit, infrastructure	x	
4	07/08	VET-08-0072	Galt Joint Union Elementary School	replacement	x	
5	07/08	VET-09-0019	Orland Joint Unified School District - Glenn County	replacement	x	
6	2009	VET-09-0058	Galt Joint Union Elementary School	retrofit, infrastructure	x	x

4. Audit Findings

“Findings” are a district’s practices found inconsistent with one or more of the following:

- State requirements, including those under Health and Safety Code sections 44275 through 44299.2, Senate Bill 88 (Stats 2007 Ch181), and Governor Schwarzenegger’s Executive Order S-02-07
- Carl Moyer and School Bus Program Guidelines (2005 and newer versions) (<http://www.arb.ca.gov/msprog/moyer/guidelines/current.htm>) (<http://arb.ca.gov/bonds/schoolbus/guidelines/2008lesbp.pdf>)
- Carl Moyer and School Bus Program advisories and/or Mail-outs
- Carl Moyer and School Bus Program Grant Award and Authorization requirements
- District’s policies and procedures and forms, including contracts with the engine owners/grant recipients

“Conditions” are detailed descriptions of the District’s practices revealed by the audit.

“Required Actions” are the minimum actions the District must take to mitigate the findings. Table 4 describes audit findings, conditions, references, and specific District actions required by ARB to mitigate the findings.

The Sacramento Metropolitan AQMD must provide ARB with a written response to the required actions by submitting a plan or method to remedy the respective findings listed below. The District’s written responses must be submitted to ARB within 30 days from the date of the cover letter that accompanied this report.

FINDING 1: Missing Contract Requirements or Incorrect Contract Information

Condition 1: Incorrect information regarding project details in contracts.

Two Carl Moyer Program contracts reviewed (2005 Carl Moyer Guideline) contained incorrect identifying information regarding the equipment covered by the contract. Per 2005 Carl Moyer Guidelines Chapter II, Section F., contracts must contain detailed information regarding the baseline and new engines to ensure contract enforceability and protection of public funds. Four Carl Moyer contracts reviewed for locomotive projects subject to the 2005 or 2008 Carl Moyer Guidelines inappropriately used hours of operation for quantifying activity. Per 2005 Carl Moyer Guidelines Chapter VIII, Section V.A., locomotive activity must be in units of gallons of fuel consumed. Per 2008 Carl Moyer Guidelines, Chapter VIII, Section IV(a)(4), locomotive activity must be based on fuel consumption.

Per the 2006 School Bus Guidelines, Chapter II, section F., each project must be covered by a contract. Two School Bus Program contracts reviewed contained incorrect identifying information regarding the equipment covered by the contract. In addition, although the District conducts inspections of school bus projects to verify information in contracts, it does not consistently make corrections to contracts if discrepancies are detected. In some cases, this resulted in critical engine details missing from the contracts, potentially impeding enforceability.

From subsequent discussions with District staff during the course of the audit, the audit team has determined that the District's contract amendment process is slow and cumbersome and has hindered District staff's ability to make needed corrections to contracts in a timely manner.

Actions already initiated by the District as a result of this audit:

- The District initiated contract amendments to correct errors identified in the projects that have been reviewed.
- The District has requested and received ARB case-by-case approval to use hours in grant agreements for project activity data for AEISS Idle Limiting Device on commuter locomotives.
- The District has proposed implementation of a new process to enable more expedient contract amendments to be made in the future to correct errors in project details. The District submitted to ARB an example school bus contract exhibit that illustrated this new process. While the approach has promise, the example appears to only cover details regarding new equipment. Some of the errors found in the audit were with baseline equipment and retrofits, thus further development of this process is required.

REQUIRED ACTIONS:

- a. **The District must submit to ARB properly-amended contracts for the following:**
VET-08-0059, Union Pacific Railroad
VET-06-0236, Teichert
VET-08-0001, CA Northern Railroad
VET-07-0192, Elk Grove Unified School District
VET-07-057, Robla Elementary School District
- b. **The District must submit a revised example school bus contract Exhibit J that also includes appropriate coverage of the details for baseline equipment and retrofits to enable changes in those areas.**
- c. **The District must submit the exhibit that it plans to use for Carl Moyer Program contracts.**
- d. **The District must submit to ARB a narrative that spells out the new contract amendment process. The District shall incorporate that narrative into its policies and procedures manuals for the Carl Moyer and School Bus Programs.**

Condition 2: Project life in contract does not cover actual or required project life.

For both the Carl Moyer and School Bus Programs, when the District prepares a new contract, it makes assumptions about the timing of contract execution and project completion. Sometimes these assumptions turn out to be incorrect and result in the contract term not covering the intended duration of the project. As a consequence, the contracts for two school bus projects did not cover the required 5-year project life per 2008 School Bus Guidelines page C-5, P. In addition, Moyer contracts did not cover the full project life. According to the District, its current practice is to address these discrepancies near the end of the contract term.

Actions already initiated by the District as a result of this audit:

- The District has proposed implementation of a new process to enable more expedient contract amendments to be made in the future to correct errors in project life. The District submitted to ARB an example school bus contract exhibit that illustrated this new process. The District also initiated appropriate contract amendments for the two school bus projects.

REQUIRED ACTIONS:

- a. **The District must submit to ARB properly-amended contracts for the following: VET-09-0019, Orland Joint Unified School District
VET-08-0072, Galt Joint Union Elementary School**
- b. **As covered in required actions 3 and 4 under condition 1 above, the District must submit the exhibit (akin to school bus Exhibit J) that it plans to use for Carl Moyer Program contracts and must spell out the new contract amendment process in its School Bus and Carl Moyer Program policies and procedures manuals.**

Condition 3: Activity levels in Carl Moyer contracts not clearly specified for the particular project under contract.

Two exhibits attached to the standard Carl Moyer contract do not specify activity units, but instead list the units as “miles/hours.” Per Carl Moyer 2008 Guidelines, Section 29, Minimum Contract Requirements (f), “All contracts shall specify the amount the engine is to operate within California (or the district) each year based on hours, miles, or fuel usage.”

Actions already initiated by the District as a result of this audit:

- The District stated that it will make necessary adjustments to its database and auto-generated contracts to more clearly identify the activity units for future contracts.

REQUIRED ACTIONS: The District must submit to ARB an example of a new Carl Moyer contract (for an actual project as opposed to boilerplate) that demonstrates that this change was made.

Condition 4: School bus contracts missing several required provisions.

For both the retrofit and replacement contracts: several enforcement, inspection, and audit provisions neglect to spell out that such provisions are in effect for the contract term plus two years. These contract requirements are spelled out in the 2008 School Bus Guidelines page C-1, C. and D.

ARB staff shares responsibility for the error. In August 2009, ARB staff approved the District’s boilerplate school bus contracts despite these omissions.

REQUIRED ACTIONS:

The District must submit to ARB two modified school bus contract boilerplates (one for retrofits and one for replacements). Revisions to contract sections 1.15

(section 1.14 in retrofit contract) and 2.6.4 shall be made to spell out that those provisions are in effect for the contract term plus two years.

Condition 5: Contracts contain District requirements that are not enforced or are not applicable.

In one Carl Moyer project reviewed, the contract requirement to provide warranty information on the invoice was not enforced. Also, the requirement to include VIN numbers on project invoices was not applicable to many contracts – notably agricultural pumps.

The School Bus contract requirements for biannual reports and installation and operation deadlines were not enforced on two projects reviewed. The contract requirement to include the engine model and serial number was not enforced on one project reviewed. The lack of specific engine information was carried over to the maintenance agreement for this bus.

Actions already initiated by the District as a result of this audit:

- To correct the error in the school bus maintenance agreement, the District contacted the school district and the vendor and confirmed that they corrected their information.

REQUIRED ACTIONS: The District is not required to amend the existing contracts where issues were identified under this condition. However, the District must ensure that, for each future contract, all the provisions apply and all the provisions are enforced. The District is strongly encouraged to develop separate contract templates tailored to each of the different project types funded.

FINDING 2: Insufficient Internal Controls and Balances. The elements of this finding include administrative practices not consistent with the guidelines, missing documentation, inspection inconsistencies, and reporting errors.

Condition 1: Administrative practices were not consistent with the Carl Moyer Guidelines for a number of projects.

In two projects reviewed, the District did not receive a signed application prior to the date that the contract was executed. Per 2005 Carl Moyer Guidelines section V, the owner of the engine must sign and agree with the information in the application. In addition, District practices in date-stamping an application to identify when it was received were inconsistent.

In another project, the District post-inspected an engine before the contract was executed. Per 2005 Carl Moyer Guidelines Section VIII, Minimum Contract Requirements (B)(1), the contract shall require that no work may begin on the project until the contract is fully executed.

In two projects reviewed, the District overpaid on the project. Per 2005 Carl Moyer Guidelines Section X, Expenditure Requirements, a district shall review the itemized

receipts and only pay for eligible expenses. In this case the District paid more than the invoiced amount.

Actions already initiated by the District as a result of this audit:

- To address the issue of unsigned applications, the District has developed a checklist for project evaluation that includes a line item “Received Completed Application (Signed & Dated in Ink)”. When a contract is routed to management for approval prior to contract execution, management will ensure that this item is checked off by staff.
- To address the issue of engines being post-inspected prior to contract execution, the District expressed its position that the Board approved the project prior to the commencement of work, which meets the intent of the Carl Moyer Guidelines. ARB acknowledges the project is eligible; however the District’s practice did not meet the Guidelines.
- To address the overpayments, the District requested repayment from the grantee and received a check for the amount of overpayment.

REQUIRED ACTIONS: The District must submit to ARB a narrative that spells out the District’s process to meet the following:

- a. **Ensure signed applications are received before contract execution,,**
- b. **Ensure work is not done before contract execution, and**
- c. **Include safeguards to prevent overpayment of projects in the future.**

This process must be incorporated into the District’s Carl Moyer Program policies and procedures manual.

Condition 2: Missing or incorrect documentation.

Per 2008 Carl Moyer Guidelines, Program Administration chapter, section 27 (c)(2), a district’s files are required to contain documentation of a given project’s eligibility verification and compliance with program requirements. Such supporting documentation was missing or incorrect in numerous Carl Moyer projects. Some of these projects had multiple documentation deficiencies. Examples include the following: the wrong Executive Order was in the file or no Executive Order was present, file lacked documentation regarding the substitution of engines after the contract was executed, and updated pre-inspection information was not updated in project file. Key information required under the 2008 School Bus Guidelines was missing in three school bus files: a California Highway Patrol form needed to establish eligibility, the correct vendor quote for a new bus purchase, and a resolution from a school district that authorized participation in the retrofit program.

Actions already initiated by the District as a result of this audit:

- For individual projects where discrepancies were identified, the District provided most of the missing documentation or provided an explanation of what happened.

REQUIRED ACTIONS: The District utilizes a checklist to ensure files are complete before filing. It is unclear how effective this checklist is, considering the number of errors identified. The District must evaluate the use of the checklist and determine if improvements can be made to ensure:

- a. Project files contain documentation of project's eligibility verification,
- b. Project engines are in compliance with program requirements, and
- c. Updates to the project for such instances as engine substitutions are reflected in project file.

Condition 3: Inspection forms were inconsistent in their completeness.

It was difficult to assess by viewing the District's completed inspection forms if the information on those pre-populated forms was verified during the inspections. It was also unclear regarding any follow-up that occurred on items noted on inspection forms. According to the District, the inspector makes notes on a pre-populated form and then enters notes / discrepancies into a comment field. Then the project manager updates the comments in the database.

There is no tracking of revisions on the inspection forms. This could lead to the data being changed. Moreover, there is no proof that a given copy is what the inspector witnessed. Since the inspection form is pre-populated with data, the inspector could forget to check a key item, such as a serial number, and there would be no record of a problem.

It is unclear if a blank field in a completed inspection form was intentional or if the field did not apply to the equipment inspected.

Actions already initiated by the District as a result of this audit:

- The District has largely mitigated this issue by establishing a new standard for completing inspections and retaining a copy of the hand-written original field version that will be signed by the inspector. Since the form for inspections is general and is used for all types of inspections, if a field is non-applicable to a particular type of equipment being inspected "N/A" will be placed in the field. If a field does pertain to a piece of equipment but could not be verified, the inspector will enter "not verified." The database will include an "Inspection Data" tab that will be a scanned digital file of the original field inspection form. The original will be submitted to the project manager for the project file.

REQUIRED ACTIONS: The District must update the District's Policy and Procedures to include the process the District intends to follow to ensure inspection information is properly reported, updated, and followed up on.

Condition 4: Reporting errors.

There were omissions and inaccuracies in the data entered into the CARL database throughout the sample of Carl Moyer projects reviewed. Either the database was missing information or the information in the database was inconsistent with that documented in the project files.

Actions already initiated by the District as a result of this audit:

- In order to mitigate related reporting and contract errors, the District has proposed to implement a new process to enable future contract amendments to be made to correct errors in project details. The District submitted to ARB an example school bus contract exhibit that illustrated this new process. For the Carl Moyer Program, the District plans to tie this contract amendment process in with making the same corrections to project details in their in-house database (MOSO) at the same time. While the approach has promise, the example submitted appears to only cover details regarding new equipment. Some of the errors found in the audit were with baseline equipment and retrofits. Also, the example provided by the District was a school bus contract, and the same issues were identified in the Carl Moyer contracts.

REQUIRED ACTIONS:

- a. **The District must submit to ARB an example contract exhibit that it plans to use for Carl Moyer Program contracts as described in Finding 1. This exhibit must include appropriate coverage of the details for baseline equipment and retrofits to enable changes in those areas.**
- b. **Demonstrate that the update to the contract results in updated information in the CARL database, listed earlier under the first finding**

5. Recommendations

Recommendations are suggestions to help the District improve its incentive programs.

Recommendation 1: Include the District's identifier in the contract detail

For both the Carl Moyer and School Bus Programs, the District assigns alphanumeric equipment identifiers to each piece of equipment in a project. These identifiers are used to track equipment through various phases of the project (i.e., eligibility determinations, inspections, etc.) but are not included in the project contract. Including these identifiers in the contract detail would facilitate tracking each piece of equipment through all phases of the project and may help reduce errors.

Recommendation 2: Eliminate project eligibility criteria in School Bus Program contracts

The contract will be simpler and easier to keep up-to-date if eligibility criteria are not included. It is assumed that projects that have entered into contract have met eligibility criteria such as those listed in contract section 2.1.19, f.

Recommendation 3: Include a more direct statement barring work prior to full contract execution in the contract transmittal cover letter to School Bus Program applicants.

Currently, the District mails successful applicants an unsigned contract to sign and return. Upon its return, the contract is then signed by the Air Pollution Control Officer and District Counsel. The contract is not considered to be executed or enforceable until all signatures are in place. The cover letter sent to the applicant states "After the executed contract is returned, you can complete the purchase transaction of the vehicle(s)." It is recommended that this statement be made more clear and direct to

ensure that the applicant knows that they assume all financial risk if they initiate a purchase without a fully executed contract.

6. Resources

1. Air Resources Board Carl Moyer Program Website
<http://www.arb.ca.gov/msprog/moyer/moyer.htm>
2. Air Resources Board Lower-Emission School Bus Website
<http://www.arb.ca.gov/msprog/schoolbus/schoolbus.htm>
3. Air Resources Board Incentives Program Audit Website
(Includes previous audit reports and Audit Policies and Procedures)
<http://www.arb.ca.gov/msprog/moyer/audits/audits.htm>
4. Carl Moyer Program 2005 Guidelines (January 6, 2006), Air Resources Board
5. Carl Moyer Program 2008 Guidelines (April 21, 2008), Air Resources Board
6. Lower-Emission School Bus 2008 Guidelines (April 15, 2008), Air Resources Board
7. Lower-Emission School Bus 2006 Guidelines (March 2, 2006), Air Resources Board